PROSPECT CAPITAL CORP
Form N-14 8C/A
February 28, 2014

Use these links to rapidly review the document

Table of Contents

As filed with the Securities and Exchange Commission on February 28, 2014

Registration No. 333-193344

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form N-14

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
Pre-Effective Amendment No. 1 ý
Post-Effective Amendment No. o
(Check appropriate box or boxes)

Prospect Capital Corporation

(Exact Name of Registrant as Specified in Charter)

10 East 40th Street, 44th Floor
New York, NY 10016
(Address of Principal Executive Offices)

Telephone Number: (212) 448-0702
(Area Code and Telephone Number)

John F. Barry III
Brian H. Oswald
c/o Prospect Capital Management LLC
10 East 40th Street, 44th Floor
New York, NY 10016
(212) 448-0702
(Name and Address of Agent for Service)

Copies to:

Richard T. Prins, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Telephone: (212) 735-5000
Facsimile: (212) 777-2790

Todd B. Pfister
Foley & Lardner LLP
321 North Clark Street, Suite 2800
Chicago, Illinois 60654
Telephone: (312) 832-4579
Facsimile: (312) 832-4700

Approximate Date of Proposed Public Offering:
As soon as practicable after this registration statement becomes effective and upon completion of the arrangement described in the enclosed documents.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, $0.001 par value per share	21,703,607 shares	N/A	$195,332,464.00	$25,158.82(3)

(1) The number of shares to be registered represents an estimate of the maximum number of shares of the registrant's common stock issuable in connection with the arrangement agreement described in the enclosed documents. The estimate was calculated assuming $9.00 is the volume-weighted average price ("VWAP") of the registrant's common stock for the 20 trading days prior to and ending on the trading day immediately preceding the effective time of the arrangement described in the enclosed documents. The actual VWAP used may be higher and therefore the actual number of shares issued pursuant to the arrangement may be less than the number of shares being registered.

(2) Estimated solely for the purpose of calculating the registration fee and calculated pursuant to Rules 457(c) and 457(f)(1) under the Securities Act of 1933, the proposed maximum aggregate offering price is equal to $195,332,464.00, which is $16.00 multiplied by 12,208,279, the maximum expected number of shares outstanding for Nicholas Financial, Inc. as of the effective time as defined in the arrangement agreement.

(3) Previously paid in connection with the initial filing of this registration statement on January 13, 2014.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

SUBJECT TO COMPLETION DATED FEBRUARY 28, 2014

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the United States Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

ARRANGEMENT PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Nicholas Financial, Inc. shareholders and optionholders:

On behalf of the board of directors of Nicholas Financial, Inc. (the "Company" or "Nicholas Financial-Canada"), we are pleased to enclose this proxy circular/prospectus relating to the arrangement pursuant to which Prospect Capital Corporation ("Prospect") will acquire the Company.

In connection with the transaction, shareholders and optionholders of the Company are cordially invited to attend a special meeting of the shareholders and optionholders of the Company to be held on [ ] [ ], 2014 at [ ] a.m., local time, at the Company's corporate headquarters, located at 2454 McMullen Booth Road, Building C, Clearwater, Florida (the "special meeting").

At the special meeting, holders of Nicholas Financial-Canada Common Shares and options will be asked to adopt a special resolution approving the arrangement and the arrangement agreement (including the plan of arrangement attached thereto) with Prospect (the "Arrangement Resolution").

The Company's board of directors, including its independent directors, has reviewed and considered the terms of the arrangement and the arrangement agreement and has unanimously determined that the arrangement agreement and the transactions contemplated by the arrangement agreement, including the arrangement, are fair to shareholders and optionholders of Nicholas Financial-Canada and in the best interests of Nicholas Financial-Canada and unanimously recommends that Nicholas Financial-Canada's shareholders and optionholders vote *FOR* the Arrangement Resolution and thereby approve the arrangement.

The Arrangement Resolution must be approved by at least three-quarters (75%) of the votes cast by Nicholas Financial-Canada shareholders, as well as at least three-quarters (75%) of the votes cast by Nicholas Financial-Canada shareholders and optionholders (voting together as a group). Holders may vote either in person or by proxy at the special meeting and will be entitled to one vote for each share held and one vote for each share the holder has an option to acquire.

If the arrangement is completed, each outstanding Common Share of Nicholas Financial-Canada will be converted into the right to receive the number of shares of common stock of Prospect determined by dividing $16.00 by the volume-weighted average price ("VWAP") of Prospect common stock for the 20 trading days prior to and ending on the trading day immediately preceding the effective time of the arrangement. Each option to acquire shares of Nicholas Financial-Canada common stock outstanding immediately prior to the effective time of the arrangement will be cancelled or transferred by the holder thereof in exchange for a cash amount equal to the amount by which (i) the product obtained by multiplying (x) the number of Common Shares of Nicholas Financial-Canada underlying such option by (y) $16.00 exceeds (ii) the aggregate exercise price payable under such option. As of February 25, 2014, the last reported sales price for Prospect common stock was $11.03.

Upon completion of the transaction, assuming the VWAP of Prospect's common stock for the 20 trading days prior to and ending on the record date, which was $[ ], is the same as the VWAP used to determine the conversion rate, Prospect's stockholders immediately prior to the closing of the arrangement will own approximately [ ]% of Prospect's outstanding stock and former Nicholas Financial-Canada shareholders will own approximately [ ]% of Prospect's outstanding stock. Prospect common stock is traded on The NASDAQ Global Select Market under the symbol "PSEC."

Prospect is a financial services company that primarily lends to and invests in middle market privately-held companies. Prospect, a Maryland corporation, has been a closed-end investment company since April 13, 2004 and has filed an election to be treated as a business development company under the Investment Company Act of 1940 (the "1940 Act"), and is a non-diversified investment company within the meaning of the 1940 Act.

Table of Contents

Common Shares of Nicholas Financial-Canada are traded on The NASDAQ Global Select Market under the symbol "NICK." As of February 25, 2014, the last reported sales price for the Nicholas Financial-Canada's Common Shares was $15.69.

Because of variable elements that will not be known until immediately prior to the consummation of the arrangement, at the time they vote on the Arrangement Resolution, holders of Nicholas Financial-Canada Common Shares will not know the exact number of shares of Prospect common stock that they will receive in the arrangement. Based on the formula that will be used to determine that number, the value of such Prospect common stock is expected to be equal to $16.00 per Common Share of Nicholas Financial-Canada; however, the actual value of shares of Prospect common stock received may be greater than or less than $16.00 on the day of the effective time of the arrangement.

We urge you to read the accompanying proxy circular/prospectus, which includes important information about the arrangement and the special meeting of the Company's shareholders and optionholders. In particular, see "Risks Related to the Arrangement" beginning on page 25 of the accompanying proxy circular/prospectus which contains a description of the risks that you should consider in evaluating the transaction.

Your vote is very important. Whether or not you expect to attend the special meeting of the Company, the details of which are described in the accompanying proxy circular/prospectus, please vote immediately. If you are a shareholder, you may vote by submitting your proxy by telephone or the Internet or by completing, signing, dating and returning your signed proxy card(s) in the enclosed prepaid return envelope. If you are an optionholder, you may vote by completing, signing, dating and returning your signed proxy card(s) in the enclosed prepaid return envelope.

If shareholders or optionholders of the Company have any questions or require assistance in voting their securities, they should call [ ] at 1-[ ]-[ ]-[ ].

Sincerely,

Peter L. Vosotas
Chairman of the Board, Chief Executive Officer and President

The accompanying proxy circular/prospectus contains important information about Prospect that you should know before voting to approve the Arrangement Resolution. Please read it before voting and keep it for future reference. Prospect files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. You may obtain such information free of charge by writing to Prospect at its principal executive offices, located at 10 East 40th Street, 44th Floor, New York, NY 10016, or by calling 212-448-0702.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the transaction described in the proxy circular/prospectus or the securities to be issued pursuant to the transaction described in the proxy circular/prospectus or determined if the proxy circular/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The accompanying proxy circular/prospectus is dated , 2014 and is first being mailed to the Company's shareholders and optionholders on or about , 2014.

Table of Contents

NICHOLAS FINANCIAL, INC.

Building C
2454 McMullen Booth Road
Clearwater, FL 33759-1343
(727) 726-0763

NOTICE OF SPECIAL MEETING OF SECURITYHOLDERS
TO BE HELD ON [ ] [ ], 2014

To the shareholders and optionholders of Nicholas Financial, Inc. (the "Company" or "Nicholas Financial-Canada"):

A special meeting of the holders of Nicholas Financial-Canada Common Shares and options will be held at Nicholas Financial-Canada's corporate headquarters, located at 2454 McMullen Booth Road, Building C, Clearwater, Florida, on [ ], [ ], 2014, at [ ] a.m., local time, for the following purposes:

1. To consider, pursuant to an interim order of the British Columbia Supreme Court, dated [ ] [ ], 2014, as the same may be amended (sometimes referred to as the "Interim Order"), and, if deemed advisable, to pass, with or without variation, a special resolution, the full text of which is attached to the accompanying proxy circular/prospectus as Annex A (sometimes referred to as the "Arrangement Resolution"), to approve an arrangement under the provisions of Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) involving, among other things, the acquisition by a portfolio company of Prospect Capital Corporation ("Prospect") of all of the issued and outstanding Common Shares of Nicholas Financial-Canada; and

2. To transact such other business as may properly come before the special meeting or any postponement(s) or adjournment(s) of the special meeting.

The full text of the Arrangement Resolution is set out in Annex A to the accompanying proxy circular/prospectus. The Arrangement Resolution must be approved by at least three-quarters (75%) of the votes cast by shareholders, as well as at least three-quarters (75%) of the votes cast by shareholders and optionholders of the Company voting together as a group (collectively, the "Securityholders"). Holders may vote in person or by proxy at the special meeting and will be entitled to one vote for each share held and one vote for each share the holder has an option to acquire. The arrangement is described in the accompanying proxy circular/prospectus, which serves as (i) Nicholas Financial-Canada's management proxy circular in connection with management's solicitation of proxies, and (ii) a prospectus of Prospect relating to its issuance of common stock in connection with the arrangement.

The Company's board of directors unanimously recommends that you vote FOR the Arrangement Resolution. Securityholders of record as of [ ], 2014, the record date for the special meeting, will be entitled to vote at the meeting and at any postponement or adjournment thereof.

All registered Securityholders, whether or not they expect to be present at the meeting, are requested to sign, date, and mail the accompanying proxy in the envelope provided for this purpose or, if they are a shareholder, by following the procedures for either telephone or Internet voting provided in the accompanying proxy circular/prospectus. **Proxies must be received by the Company's transfer agent, Computershare Investor Services Inc. (Attention: Proxy Department, [ ], or by fax to Nicholas Financial, Inc., c/o Computershare Investor Services Inc. at ([ ]) [ ]-[ ] or 1-[ ]-[ ]-[ ] or by Internet at www. [ ].com), before 5:00 p.m. (Eastern Time), on [ ][ ], 2014 (or the date that is two days, excluding Saturdays, Sundays and holidays, prior to the date set for any postponement or adjournment of the original meeting)**.

If you are a non-registered, beneficial shareholder, you must follow the instructions provided by your broker, investment dealer, bank, trust company or other intermediary to ensure that your vote is counted at the special meeting.

Table of Contents

TAKE NOTICE that in accordance with the Interim Order, registered holders of Nicholas Financial-Canada Common Shares and options have a right to dissent from the arrangement and to be paid an amount equal to the fair value of their shares or options, as applicable. This right is described in the accompanying proxy circular/prospectus. **Failure to comply strictly with the dissent procedures may result in the loss or unavailability of the right to dissent**. See "The Special Meeting Dissent Rights" in the accompanying proxy circular/prospectus.

If you have any questions or require more information regarding the procedures for voting or completing your proxy or transmittal documentation, please contact [ ]at 1-[ ]-[ ]- [ ].

By Order of the Board of Directors

Ralph T. Finkenbrink
Secretary

In the accompanying proxy circular/prospectus, references to "$" refer to United States dollars, unless otherwise noted.

REFERENCES TO ADDITIONAL INFORMATION

Prospect has filed a registration statement on Form N-14 to register with the United States Securities and Exchange Commission (the "SEC") the Prospect common stock, par value $0.001 per share ("Prospect common stock"), to be issued to the Company's shareholders upon consummation of the arrangement. The accompanying proxy circular/prospectus is a part of that registration statement and constitutes a prospectus of Prospect in addition to being a proxy circular of the Company for its special meeting. As allowed by SEC rules, this proxy circular/prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

The accompanying proxy circular/prospectus incorporates important business and financial information about Prospect and the Company from other documents that are not included in or delivered with this proxy circular/prospectus. This information is available to you without charge upon your written or oral request. You can obtain copies of the accompanying proxy circular/prospectus, as well as the documents incorporated by reference into the accompanying proxy circular/prospectus through the SEC website at www.sec.gov, or by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

Prospect Capital Corporation
Attention: Brian H. Oswald
10 East 40th Street, 44th Floor
New York, New York 10016
(212) 448-0702

Nicholas Financial, Inc.
Attention: Ralph T. Finkenbrink
2454 McMullen Booth Road, Building C
Clearwater, Florida 33759
(727) 726-0763

If you would like to request documents, please do so by [ ] [ ], 2014, in order to receive them before the Company's special meeting.

See "Where You Can Find More Information" beginning on page 324 of the accompanying proxy circular/prospectus.

SUBMITTING PROXIES BY MAIL, TELEPHONE OR INTERNET

Nicholas Financial-Canada shareholders of record may submit their proxies:

- by telephone, by calling the toll-free number 1-[ ]-[ ]-[ ] on a touch-tone phone and following the recorded instructions;

Table of Contents

- by accessing the Internet website at www.[ ].com and following the instructions on the website; or

- by mail, by indicating their voting preference on the proposals on each proxy card received, signing and dating each proxy card and returning each proxy card in the prepaid envelope that accompanied that proxy card.

Nicholas Financial-Canada optionholders may submit their proxies by mail, by indicating their voting preference on the proposals on each proxy card received, signing and dating each proxy card and returning each proxy card in the prepaid envelope that accompanied that proxy card.

Shareholders of the Company whose Common Shares are held in "street name" must provide their brokers with instructions on how to vote their shares; otherwise, their brokers will not vote their shares on any resolution before the special meeting. Shareholders should check the voting form provided by their brokers for instructions on how to vote their shares.

The accompanying proxy circular/prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Table of Contents

TABLE OF CONTENTS

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE PROPOSED ARRANGEMENT

Q:
When and where is the special meeting of shareholders and optionholders?

A:
The special meeting of shareholders and optionholders will take place at Nicholas Financial, Inc.'s (the "Company" or "Nicholas Financial-Canada") corporate headquarters, located at 2454 McMullen Booth Road, Building C, Clearwater, Florida, on [ ], [ ], 2014, at [ ] a.m., local time.

Q:
What is happening at the special meeting?

A:
Nicholas Financial-Canada's shareholders and optionholders are being asked to consider and vote on the following item at the special meeting:

A proposal to adopt a special resolution, the full text of which is attached hereto as Annex A (the "Arrangement Resolution"), to approve the arrangement and the arrangement agreement, dated as of December 17, 2013, by and among Prospect Capital Corporation ("Prospect"), Watershed Acquisition LP ("USCo"), 0988007 B.C. Unlimited Liability Company (the "Purchaser"), Nicholas Financial LLC (formerly known as Watershed Operating LLC) ("US New Opco," and together with Prospect, USCo and the Purchaser, the "Prospect Parties") and Nicholas Financial-Canada (collectively, the "Parties" and each a "Party"), as such agreement may be amended from time to time. The full text of the arrangement agreement is attached hereto as Annex B.

Q:
What is an arrangement?

A:
An arrangement is a securityholder and court-approved procedure under British Columbia corporate law pursuant to which two or more corporations can effect a business combination or corporate restructuring.

Q:
What will happen in the proposed arrangement?

A:
If the Arrangement Resolution is approved, Nicholas Financial-Canada and the Purchaser will amalgamate and form an entity ("Amalco"), which will be an unlimited liability company under the *Business Corporations Act* (British Columbia) (the "BCBCA"). Amalco will be the surviving entity and will succeed to and assume all of the rights and obligations of the Purchaser and Nicholas Financial-Canada. Amalco will be an indirect wholly-owned portfolio company of Prospect. As a result of the proposed arrangement, all Nicholas Financial-Canada's assets and liabilities immediately before the amalgamation will become assets and liabilities of Amalco immediately after the amalgamation, and Nicholas Financial-Canada's wholly-owned subsidiaries, Nicholas Financial, Inc., a Florida corporation, and Nicholas Data Services, Inc., a Florida corporation, will become direct subsidiaries of Amalco.

Q:
What will shareholders of Nicholas Financial-Canada receive in the arrangement?

A:
Each Nicholas Financial-Canada shareholder will receive for each Common Share of Nicholas Financial-Canada owned as of the time of consummation of the arrangement (the "effective time"), that number of shares of common stock, par value $0.001 per share, of Prospect ("Prospect common stock") determined by dividing $16.00 by the volume-weighted average price of Prospect common stock on the NASDAQ Global Select Market ("NASDAQ"), as displayed under the heading "Bloomberg VWAP" on Bloomberg Financial L.P. ("VWAP") for the 20 trading days prior to and ending on the trading day immediately preceding the effective time of the arrangement. Holders of Nicholas Financial-Canada Common Shares will not receive any fractional

1

shares of Prospect common stock in the arrangement. Instead, each Nicholas Financial-Canada shareholder otherwise entitled to a fractional share interest in Prospect will be paid an amount in cash determined by multiplying such fraction by the amount equal to the VWAP as calculated above. ***Pursuant to the arrangement agreement, Nicholas Financial-Canada has agreed, prior to completion or termination of the transaction, not to declare, set aside, pay or make any dividend or other distribution (whether in cash, stock or other property) with respect to any of its Common Shares.***

Prospect is a financial services company that primarily lends to and invests in middle market privately-held companies. Prospect, a Maryland corporation, has been a closed-end investment company since April 13, 2004 and has filed an election to be treated as a business development company under the Investment Company Act of 1940 (the "1940 Act"), and is a non-diversified investment company within the meaning of the 1940 Act. Please see "Business of Prospect" for more information regarding Prospect and please see "Regulation of Prospect" and Annex C: Summary of Certain Provisions of the 1940 Act Applicable to Business Development Companies for more information regarding business development companies and the 1940 Act.

Q:

What will optionholders of Nicholas Financial-Canada receive in the arrangement?

Prospect will cash out holders of options to purchase Company Common Shares ("options") outstanding pursuant to the Nicholas Financial-Canada stock option plans. Such holders of options will receive a cash amount equal to the amount, if any, by which (i) the product obtained by multiplying (x) the number of Nicholas Financial-Canada Common Shares underlying such option by (y) $16.00, exceeds (ii) the aggregate exercise price payable under such option by the optionholder to acquire the Nicholas Financial-Canada Common Shares underlying such option.

Q:

What is a business development company ("BDC")?

A:

A BDC is a specialized type of closed-end investment company regulated under certain provisions of the 1940 Act. The 1940 Act and the Investment Advisers Act of 1940 regulate BDCs through various restrictions on capitalization, types of investments, investment adviser compensation, director independence, transactions with affiliates and governance matters. As a BDC, Prospect is generally required to invest at least 70% of its assets in private or small domestic companies engaged primarily in non-financial businesses as well as in cash items, United States Government securities and high-quality short-term debt securities (and is required to offer managerial assistance to such companies). In addition, as a BDC, Prospect can have, and does have, multiple classes of debt outstanding and can incur a greater amount of leverage in the form of debt (as opposed to preferred stock) than a registered closed-end fund, which can only have one class of debt outstanding. See "Regulation of Prospect," "Business of Prospect" and Annex C: Summary of Certain Provisions of the 1940 Act Applicable to Business Development Companies.

Q:

Is the consideration subject to any adjustment for shareholders?

A:

No. However, the number of shares of Prospect common stock that a Nicholas Financial-Canada shareholder will receive will depend on the VWAP for the 20 trading days prior to and ending on the trading day immediately preceding the effective time of the arrangement and consequently the value of the shares of Prospect common stock received may be greater than or less than $16.00 on the day of the effective time.

Q:

Is Prospect required to make any other payments to any of the parties in connection with the arrangement?

A:

No. However, if Nicholas Financial-Canada terminates the arrangement agreement due to a breach by Prospect, Prospect could be obligated to pay a $6,000,000 termination fee to Nicholas Financial-Canada. Please see "Description of the Arrangement Agreement Termination of the Arrangement Agreement."

Table of Contents

Q: **Who will pay the expenses relating to the preparation of this document and the solicitation of proxies?**

A: Whether or not the arrangement is consummated, each of Prospect and Nicholas Financial-Canada is responsible for its own fees and expenses relating to the arrangement, including the preparation of this document and the solicitation of the proxies. Upon consummation of the arrangement, all of the fees and expenses will be borne by USCo. However, in the event the arrangement is not consummated, under certain conditions, a termination fee of $6,000,000 will be paid by Nicholas Financial-Canada or Prospect, as applicable, to the other party in accordance with the arrangement agreement. Please see "Description of the Arrangement Agreement Termination of the Arrangement Agreement."

Q: **Are shareholders and optionholders able to exercise dissent rights?**

A: Yes. As further discussed below under "The Special Meeting Dissent Rights," shareholders and optionholders are able to exercise dissent rights. A written objection to the Arrangement Resolution must be received by Nicholas Financial-Canada not later than 5:00 pm (Vancouver time) on the last business day preceding the date of the special meeting. Shareholders and optionholders that are ultimately determined to be entitled to dissent rights and that have validly exercised their dissent rights will be paid in cash the fair value by the Purchaser for their shares or options, as applicable. See also Annex D and Annex E to this proxy circular/prospectus.

Q: **When do you expect to complete the proposed arrangement?**

A: We are working to complete the proposed arrangement early in the second quarter of 2014, assuming all regulatory approvals and other required matters are completed at such time.

Q: **What are the United States federal income tax consequences of the proposed arrangement?**

A: See "Certain United States Federal Income Tax Considerations" for important information regarding the United States federal income tax consequences relating to the proposed arrangement.

Q: **What shareholder and optionholder vote is required to approve the Arrangement Resolution?**

A: The Arrangement Resolution must be approved by at least three-quarters (75%) of the votes cast by Nicholas Financial-Canada shareholders, as well as at least three-quarters (75%) of the votes cast by Nicholas Financial-Canada shareholders and optionholders (voting together as a group). Holders may vote either in person or by proxy at the special meeting and will be entitled to one vote for each share held and one vote for each share the holder has an option to acquire. Nicholas Financial-Canada shareholders and optionholders who abstain, fail to return their proxies or do not otherwise vote will not have an effect on the vote. A quorum for the special meeting is at least two shareholders or proxyholders representing two shareholders, or one shareholder and a proxyholder representing another shareholder, holding at least $33^1/_3$% of the total issued and outstanding shares of Nicholas Financial-Canada on the record date for the meeting.

Q: **Does Nicholas Financial-Canada's board of directors recommend approval of the Arrangement Resolution?**

A: Yes. Nicholas Financial-Canada's board of directors, including its independent directors, who constitute a majority of its board of directors, unanimously approved and adopted the Arrangement Resolution and unanimously recommends that Nicholas Financial-Canada's shareholders vote "FOR" approval of the Arrangement Resolution. In connection with Nicholas Financial-Canada's board of directors' consideration of this matter, it received an opinion from

3

Table of Contents

Janney Montgomery Scott LLC ("Janney") addressing the fairness, from a financial point of view, of the consideration to be received by Nicholas Financial-Canada shareholders.

Q:

What do I need to do now?

A:

We urge you to read carefully this document, including its annexes. You also may want to review the documents referenced under "Where You Can Find More Information" and consult with your accounting, legal and tax advisors.

Q:

How do I vote my shares or options?

A:

You may indicate how you want to vote on your proxy card and then sign and mail your proxy card in the enclosed return envelope as soon as possible so that your shares or options, as applicable, may be represented at the special meeting. If you are a shareholder, you may also vote (1) by telephone, by calling toll free 1-[ ]-[ ]-[ ] on a touch-tone phone and following the recorded instructions or (2) by accessing the Internet website at www.[ ].com and following the instructions on the website. If you are a record shareholder, you may also attend the special meeting in person and vote at the meeting instead of submitting a proxy. If your shares are held in a brokerage account or in "street name" and you wish to vote your shares in person at the special meeting, please see the answer to the next question.

Unless your shares are held in a brokerage account or in "street name", if you sign, date and send your proxy and do not indicate how you want to vote, your proxy will be voted "FOR" the approval of the arrangement agreement and the arrangement. If your shares are held in a brokerage account or in "street name", please see the answer to the next question.

If you fail either to return your proxy card and, if you are a shareholder, to vote via the telephone or the Internet, or if you "abstain" with respect to the Arrangement Resolution, you will not affect the outcome of the vote.

Q:

If my shares are held in a brokerage account, or in "street name," will my broker vote my shares for me?

A:

No. If you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them.

You should, therefore, provide your broker with instructions on how to vote your shares or arrange to attend the special meeting and vote your shares in person. If your shares are held in a brokerage account or in "street name," you may vote your shares in person at the special meeting ONLY if you bring your proxy to the special meeting. The proxy would be provided by your broker, fiduciary, custodian or other nominee. You must request this proxy from your nominee, as they will not automatically send you one.

If you do not provide your broker with instructions and do not attend the special meeting, your failure will not have an effect on the outcome of the vote. Shares held in a brokerage account or in "street name" for which written authority to vote has not been obtained will be treated as not present and not entitled to vote with respect to the Arrangement Resolution and will, therefore, reduce the absolute number (but not the percentage) of the affirmative votes required for approval of the Arrangement Resolution. Shareholders are urged to utilize telephonic or Internet voting if their broker has provided them with the opportunity to do so. See your voting instruction form for instructions.

Table of Contents

Q: **What do I do if I want to change my vote?**

A: You may change your vote at any time before the vote takes place at the special meeting. To do so, you may either complete and submit a new proxy card or send a written notice stating that you would like to revoke your proxy. If you are a shareholder, you may also change your vote if you voted and revote (1) by telephone, by calling the toll-free number 1-[ ]-[ ]-[ ] on a touch-tone phone and following the recorded instructions or (2) by accessing the Internet website at www.[ ].com and following the instructions on the website. The last recorded vote will be what is counted at the special meeting. In addition, you may elect to attend the special meeting and vote in person, as described above.

Q: **If my shares are represented by stock certificates, should I send in my stock certificates now?**

A: No. If the arrangement is completed and your Common Shares are represented by stock certificates, we will send you written instructions for exchanging your stock certificates for the appropriate number of shares of Prospect common stock.

Q: **Will a proxy solicitor be used?**

A: No. Nicholas Financial-Canada has not engaged a proxy solicitor to assist in the solicitation of proxies for the special meeting. Nicholas Financial-Canada's officers and employees may request the return of proxies by telephone or in person, but no additional compensation will be paid to them for doing so.

Q: **Who can I contact with any additional questions?**

A: You may call Nicholas Financial-Canada's Corporate Secretary, Ralph T. Finkenbrink, with respect to any additional questions at: 1-727-726-0763.

Q: **Where can I find more information about the companies?**

A: You can find more information about Nicholas Financial-Canada and Prospect in the documents described under "Where You Can Find More Information."

Table of Contents

SUMMARY

This summary highlights material information in this proxy circular/prospectus. It may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer in order to fully understand the proposed arrangement. See "Where You Can Find More Information." Unless otherwise noted, the terms "Nicholas Financial-Canada" or the "Company" refers to Nicholas Financial, Inc., a company existing under the laws of British Columbia; "Nicholas Financial" refers to Nicholas Financial, Inc., a Florida corporation; "NDS" refers to Nicholas Data Services, Inc., a Florida corporation; the "Company" also refers to Nicholas Financial-Canada, Nicholas Financial and NDS collectively, as appropriate in the context; "Prospect" refers to Prospect Capital Corporation, a Maryland corporation; "USCo" refers to Watershed Acquisition LP, a Delaware limited partnership that is wholly owned by Prospect; the "Purchaser" refers to 0988007 B.C. Unlimited Liability Company, an unlimited liability company existing under the laws of British Columbia that is wholly owned by USCo; "US New Opco" refers to Nicholas Financial LLC (formerly known as Watershed Operating LLC), a Delaware limited liability company that is wholly owned by USCo; "Prospect Capital Management," "Investment Adviser" and "PCM" refer to Prospect Capital Management LLC; and "Prospect Administration" and the "Administrator" refer to Prospect Administration LLC. When discussing the arrangement agreement, the terms: "Prospect Parties" refers to Prospect, USCo, Purchaser and US New Opco; and "Parties" refers to Nicholas Financial-Canada and the Prospect Parties.

Information about the Companies

Nicholas Financial, Inc.
2454 McMullen Booth Road
Building C
Clearwater, FL 33759

Nicholas Financial-Canada is a Canadian holding company incorporated under the laws of British Columbia in 1986. Its business activities are conducted through two wholly-owned subsidiaries formed pursuant to the laws of the State of Florida, Nicholas Financial and NDS. Nicholas Financial is a specialized consumer finance company engaged primarily in acquiring and servicing retail installment sales contracts ("Contracts") for purchases of new and used cars and light trucks. To a lesser extent, Nicholas Financial also makes direct loans and sells consumer-finance related products. NDS is engaged in supporting and updating industry specific computer application software for small businesses located primarily in the Southeastern United States. For the fiscal years ended March 31, 2013 and 2012 and the nine-month periods ended December 31, 2013 and 2012, the Company had consolidated revenues of $82.1 million, $80.5 million, $62.2 million, and $61.7 million, respectively. Nicholas Financial accounted for approximately 99% of the Company's consolidated revenues for each of such periods, and NDS sales accounted for less than 1% of consolidated revenues during each of the same periods.

The Company's principal business is providing financing programs primarily to purchasers of new and used cars and light trucks who meet the Company's credit standards, but who do not meet the credit standards of traditional lenders, such as banks and credit unions. Unlike these traditional lenders, which make lending decisions primarily based on the credit history of the borrower and typically finance new automobiles, the Company purchases Contracts of borrowers who may not have a good credit history or Contracts for older model and high mileage automobiles. This is typically referred to as the non-prime automobile finance market.

The non-prime automobile finance market is highly fragmented and historically has been serviced by a variety of financial entities, including captive finance subsidiaries of major automobile manufactures, banks, independent finance companies, and small loan companies. Many of these financial entities do not consistently provide financing to this market. Although prime borrowers

Table of Contents

represent a large segment of the automobile financing market, there are many potential purchasers of automobiles who do not qualify as prime borrowers. Purchasers the Company considers to be non-prime borrowers are generally unable to obtain credit from traditional sources of automobile financing. The Company believes that, because these potential purchasers represent a substantial market, there is a demand by automobile dealers with respect to financing for non-prime borrowers that has not been effectively served by traditional automobile financing sources.

The Company purchases Contracts from automobile dealers at a negotiated price that is less than the original principal amount being financed by the purchaser of the automobile. The Contracts are predominately for used vehicles. As of December 31, 2013, the average model year of vehicles collateralizing the portfolio was 2006. The average loan to value ratio, which expresses the amount of the Contract as a percentage of the value of the automobile, is approximately 94%. The initial terms of the Contracts range from 12 to 72 months. In addition, taxes, title fees and, if applicable, premiums for extended service contracts, accident and health insurance and credit life insurance can also be included in the amount financed.

The Company's automobile finance programs are currently conducted in 15 states through a total of 65 branches, including 20 in Florida, eight in Ohio, six in North Carolina, six in Georgia, three in Kentucky, three in Indiana, three in Missouri, three in Michigan, three in Alabama, two in Virginia, two in Tennessee, two in Illinois, two in South Carolina, one in Maryland and one in Kansas. Each office is budgeted (size of branch, number of employees and location) to handle up to 1,000 accounts and up to $7.5 million in gross finance receivables. To date, 14 of the Company's branches meet that capacity. The Company continues to evaluate additional markets for future branch locations, and subject to market conditions, would expect to open additional branch locations during fiscal 2014. The Company remains open to acquisitions should an opportunity present itself.

In addition to the automobile finance program, the Company also provides direct loans. Direct loans are loans originated directly between the Company and the consumer. These loans are typically for amounts ranging from $1,000 to $8,000 and are generally secured by a lien on an automobile, water craft or other permissible tangible personal property. The average loan made to date by the Company had an initial principal balance of approximately $3,000. The Company does not expect the average loan size to increase significantly within the foreseeable future. The majority of direct loans are originated with current or former customers under the Company's automobile financing program. The typical direct loan represents a significantly better credit risk than the Company's typical Contract due to the customer's historical payment history with the Company.

The Company is currently licensed to provide direct consumer loans in Florida and North Carolina. In addition, the Company continues to analyze the direct loan market in Ohio for possible future expansion into such market. The Company does not expect to pursue a direct loan license in any other state during the fiscal year ending March 31, 2014. The Company does not have any current plans to expand its strategy of soliciting current customers and expects total direct loans to remain approximately 3% of its total portfolio.

In connection with its direct loan program, the Company also makes available credit disability and credit life insurance coverage to customers through an unaffiliated third-party insurance carrier. Customers in approximately 77% of the 3,079 direct loan transactions outstanding as of December 31, 2013 had elected to purchase third-party insurance coverage made available by the Company. The cost of this insurance is included in the amount financed by the customer.

The Company's executive offices are located at 2454 McMullen Booth Road, Building C, Suite 501, Clearwater, Florida 33759, and the Company's telephone number is (727) 726-0763.

Table of Contents

Prospect Capital Corporation
10 East 40th Street, 44th Floor
New York, NY 10016
(212) 448-0702

Prospect is a financial services company that primarily lends to and invests in middle market privately held companies. In this proxy circular/prospectus, the term "middle market" refers to companies with annual revenues of less than $750 million and enterprise values of less than $1 billion. Prospect is a closed-end investment company that has filed an election to be treated as a business development company under the 1940 Act. Prospect invests primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. Prospect works with management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro forma cash flows.

Prospect currently has seven origination strategies in which it makes investments: (1) lending in private equity sponsored transactions, (2) lending directly to companies not owned by private equity firms, (3) control investments in corporate operating companies, (4) control investments in financial companies, (5) investments in structured credit, (6) real estate investments, and (7) investments in syndicated debt. Prospect continues to evaluate other origination strategies in the ordinary course of business with no specific tops down allocation to any single origination strategy.

Lending in Private Equity Sponsored Transactions Prospect makes loans to companies which are controlled by leading private equity firms. This debt can take the form of first lien, second lien, unitranche or mezzanine loans. In making these investments, Prospect looks for a diversified customer base, recurring demand for the product or service, barriers to entry, strong historical cash flow and experienced management teams. These loans typically have significant equity subordinate to Prospect's loan position. Historically, this strategy has comprised approximately 50%-60% of its business, but more recently it is less than 50% of its business.

Lending Directly to Companies Prospect provides debt financing to companies owned by non private equity firms, the company founder, a management team or a family. Here, in addition to the strengths Prospect looks for in a sponsored transaction, Prospect also looks for the alignment with the management team with significant invested capital. This strategy often has less competition than the private equity sponsor strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. Direct lending can result in higher returns and lower leverage than sponsor transactions and may include warrants or equity to Prospect. This strategy has comprised approximately 5%-15% of its business.

Control Investments in Corporate Operating Companies This strategy involves acquiring controlling stakes in non financial operating companies. Prospect investments in these companies are generally structured as a combination of yield producing debt and equity. Prospect provides certainty of closure to Prospect's counterparties, gives the seller personal liquidity and generally looks for management to continue on in their current roles. This strategy has comprised approximately 10%-15% of its business.

Control Investments in Financial Companies This strategy involves acquiring controlling stakes in financial companies, including consumer direct lending, subprime auto lending and other strategies. Prospect's investments in these companies are generally structured as a combination of yield producing debt and equity. These investments are often structured in a tax efficient partnership formed consistent with Prospect's regulated investment company tax structure, thereby enhancing returns. This strategy has comprised approximately 10%-15% of its business.

Investments in Structured Credit Prospect makes investments in collateralized loan obligations ("CLOs"), generally taking a significant position in the subordinated interests (equity) of the CLOs.

Table of Contents

The CLOs include a diversified portfolio of broadly syndicated loans and do not have direct exposure to real estate, mortgages, sub prime debt, or consumer based debt. The CLOs in which Prospect invests are managed by top tier collateral managers that have been thoroughly diligenced prior to investment. This strategy has comprised approximately 10%-20% of its business.

Real Estate Investments Prospect makes investments in real estate through its three wholly-owned tax-efficient real estate investment trusts ("REITs"), American Property Holdings Corp., National Property Holdings Corp., and United Property Holdings Corp. Prospect's real estate investments are in various classes of fully developed and occupied real estate properties that generate current yields. Prospect seeks to identify properties that have historically high occupancy and steady cash flow generation. Prospect partners with established property managers with experience in managing the property type to manage such properties after acquisition. This is a more recent investment strategy that has comprised approximately 5%-10% of its business.

Investments in Syndicated Debt On an opportunistic basis, Prospect makes investments in loans and high yield bonds that have been sold to a syndicate of buyers. Here Prospect looks for investments with attractive risk adjusted returns after it has completed a fundamental credit analysis. These investments are purchased with a long term, buy and hold outlook and Prospect looks to provide significant structuring input by providing anchoring orders. This strategy has comprised approximately 5%-10% of its business.

Prospect invests primarily in first and second lien senior loans and mezzanine debt which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests in the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt and Prospect's investments in CLOs are subordinated to senior loans and are generally unsecured. Prospect invests in debt and equity positions of CLOs which are a form of securitization in which the cash flows of a portfolio of loans are pooled and passed on to different classes of owners in various tranches. Prospect's CLO investments are derived from portfolios of corporate debt securities which are generally risk rated from BB to B.

Prospect also acquires controlling interests in companies in conjunction with making secured debt investments in such companies. These may be in several industries, including industrial, service, real estate and financial businesses. In most cases, companies in which it invests are privately held at the time it invests in them.

Prospect Capital Management LLC serves as Prospect's investment adviser and manages its investments, and Prospect Administration LLC serves as Prospect's administrator and provides the administrative services necessary for it to operate. Prospect has also elected to be treated for federal income tax purposes as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, or the "Code."

Purpose of the Special Meeting

Shareholders and optionholders are being asked to consider and to approve the Arrangement Resolution, which includes approval of the following matters:

- To approve and adopt the proposed arrangement and to authorize the board of directors of Nicholas Financial-Canada to amend or revise the proposed arrangement in its discretion to the extent permitted by the arrangement agreement without further approval of the shareholders and optionholders;

- To ratify, confirm and approve the arrangement agreement, and to authorize the board of directors to amend or revise the arrangement agreement in its discretion to the extent permitted therein without further approval of the shareholders and optionholders;

Table of Contents

To authorize the board of directors of Nicholas Financial-Canada to amend or decide not to proceed with the proposed arrangement, without further notice to or approval of the shareholders and optionholders; and

To authorize any one director or officer of Nicholas Financial-Canada to do all such acts necessary or desirable to carry out these resolutions.

Terms of the Arrangement Agreement

Pursuant to the terms of the proposed arrangement, Nicholas Financial-Canada and the Purchaser will amalgamate and form an entity ("Amalco"), which will be an unlimited liability company under the *Business Corporations Act* (British Columbia). Amalco will be the surviving entity and will succeed to and assume all of the rights and obligations of the Purchaser and Nicholas Financial-Canada. Amalco will be an indirect wholly-owned portfolio company of Prospect. As a result of the proposed arrangement, all Nicholas Financial-Canada's assets and liabilities immediately before the amalgamation will become assets and liabilities of Amalco immediately after the amalgamation and Nicholas Financial-Canada's wholly-owned subsidiaries, Nicholas Financial and NDS, will become direct subsidiaries of Amalco.

Based on the number of shares of Prospect common stock issued and outstanding on the record date and the VWAP of Prospect's common stock over the 20 trading days prior to the record date, Nicholas Financial-Canada's shareholders will own approximately [ ]% of Prospect's common stock outstanding immediately after the consummation of the arrangement.

The arrangement agreement is attached as Annex B to this proxy circular/prospectus (the "arrangement agreement") and is part of this document. Nicholas Financial-Canada encourages its shareholders to read the arrangement agreement (including the plan of arrangement attached as Schedule B thereto) carefully and in its entirety, as it is the principal legal document governing the proposed arrangement. Please see "Description of the Arrangement Agreement."

Nicholas Financial-Canada's Shareholders Will Receive Shares of Prospect's Common Stock in the Proposed Arrangement

If the proposed arrangement is consummated, each Nicholas Financial-Canada shareholder will receive for each Common Share of Nicholas Financial-Canada owned as of the effective time, that number of shares of Prospect common stock determined by dividing $16.00 by the VWAP of Prospect common stock on NASDAQ for the 20 trading days prior to and ending on the trading day immediately preceding the effective time. Holders of Common Shares of Nicholas Financial-Canada will not receive any fractional shares of Prospect common stock in the arrangement. Instead, each Nicholas Financial-Canada shareholder otherwise entitled to a fractional share interest in Prospect will be paid an amount in cash, based on a formula set forth in the arrangement agreement and rounded to the nearest cent. **Pursuant to the arrangement agreement, Nicholas Financial-Canada has agreed, prior to completion or termination of the transaction, not to declare, set aside, pay or make any dividend or other distribution (whether in cash, stock or other property) with respect to any of its Common Shares.**

Reasons for the Proposed Arrangement

In evaluating the arrangement proposal from Prospect, Nicholas Financial-Canada's board of directors considered numerous factors, including, among others, the ones described below, and, as a result, determined that the proposed arrangement was in the Company's best interests and the best interests of the Company's shareholders and optionholders. Ultimately, the Company's board of directors believed that the potential advantages of the proposed arrangement outweigh the negative factors, whether considered individually or collectively. For a more detailed discussion of the factors identified below, and for additional factors considered by the board, see "The Arrangement Resolution Proposal Reasons for the Arrangement."

The Company's board of directors did not attempt to quantify or otherwise assign relative weights to the specific factors it considered nor did it determine that any factor was of particular importance. A determination of various weightings would, in the view of the Company's board of directors, be impractical. In addition, individual members of the Company's board of directors may have given different weight to different factors. Rather, the Company's board of directors viewed its position and recommendations as being based on the totality of the information presented to, and considered by, the Company's board of directors.

The Company's board of directors considered the following factors in its deliberations concerning the arrangement:

- The Company engaged in a thorough review of the potential strategic alternatives to a Prospect proposal, including, among other things, the possible sale of the Company or certain of its assets, potential acquisition and expansion opportunities and/or a possible debt or equity financing. Based on the company's lengthy and thorough review process, the Company's board of directors believes it has explored all possible strategic alternatives reasonably available to it.

- In evaluating the consideration payable to the Company's shareholders and optionholders pursuant to the arrangement, the Company's board of directors noted that $16.00 represents a premium of approximately 21% to the average closing market price of the Company's Common Shares for the twenty trading days immediately prior to the March 20, 2013 announcement by the Company that its board of directors had retained Janney as its independent financial advisor to assist the Company in evaluating possible strategic alternatives.

- The Company's recent financial performance, including recent trends in delinquencies, losses and gross margins, and their impact on the Company's operating results. The Company's board of directors also considered the fact that, as a result of the arrangement, existing shareholders would be unable to benefit directly from any future growth of the Company.

- Because the Company's shareholders will be shareholders in Prospect following the arrangement, the Company's shareholders stand to participate in the future growth and prospects of Prospect and its portfolio companies, including the Company.

- The oral opinion from Janney (which was subsequently confirmed by delivery of Janney's written opinion dated December 17, 2013) with respect to the fairness, from a financial point of view, of the transaction consideration to be received by the Company's shareholders pursuant to the arrangement.

- The costs of remaining an independent public company, including the costs of compliance related to disclosure and corporate governance rules of the SEC and Nasdaq, auditing fees and directors' and officers' insurance.

- The current lack of liquidity for the Company's shareholders, given the low trading volume of the Company's Common Shares, as compared to the significant trading market for Prospect common stock.

- The terms of the arrangement agreement, including the representations, warranties and covenants of the parties, as well as the conditions to their respective obligations under the arrangement agreement, the likelihood of the consummation of the arrangement, the termination provisions of the arrangement agreement and the Company's board of directors' evaluation of the likely time period necessary to effect the arrangement.

Table of Contents

- The fact that dissent rights will be available to the Company's shareholders and optionholders in connection with the arrangement.

The Company's board of directors also considered the risks related to the proposed arrangement (see "Risks Related to the Arrangement"), and the following potentially material negative factors in its deliberations concerning the arrangement:

- The limited ability of the Company under the arrangement agreement to provide information to, or enter into discussions with, other potential business combination parties who might make an unsolicited proposal to acquire the Company.
- Prospect's obligation to complete the arrangement is subject to certain conditions, and it has the right to terminate the arrangement agreement in specified circumstances.
- The substantial transaction costs to be incurred by the Company even if the arrangement is not consummated.
- The announcement and pendency of the transaction could have an adverse effect on the Company's business, financial condition, results of operations or business prospects and on its stock price.
- The substantial management time and effort required to effectuate the arrangement and the related disruption to the Company's operations, including the disruption which would result if the arrangement were not consummated after the arrangement agreement had been entered into.
- The fact that, as a result of the arrangement, existing Company shareholders and optionholders would be unable to benefit directly from any future growth or improved operating performance of the Company.
- The restrictions on the conduct of the Company's business prior to the completion of the arrangement, requiring the Company to conduct its business only in the ordinary course, subject to specific limitations, which may delay or prevent the Company from undertaking business opportunities that may arise pending completion of the arrangement.
- The fact that certain persons, including directors and officers of the Company, have interests in the arrangement that are different from, or in addition to, those of Company shareholders generally.
- Because the Company currently does not anticipate asking Janney to update its opinion, the opinion will not address the fairness, from a financial point of view, of the consideration to be received by the Company's shareholders at the time the arrangement is completed.
- Prospect is a business development company and is subject to substantially different risks than the Company.

Risks Related to the Proposed Arrangement

Below are certain of the material risks related to the proposed arrangement considered by Nicholas Financial-Canada's board of directors:

- ***Consideration:*** Because the number of shares of Prospect common stock into which Nicholas Financial-Canada's Common Shares are exchangeable will be determined only at the effective time, Nicholas Financial-Canada shareholders cannot be sure of the precise value of the transaction consideration they will receive.

12

Table of Contents

Share Dilution: Nicholas Financial-Canada shareholders will experience a reduction in percentage ownership and voting power with respect to their shares as a result of the arrangement.

Restriction on Ability to Solicit Alternative Offers: The arrangement agreement limits Nicholas Financial-Canada's ability to pursue alternatives to the transaction.

Adverse Effect on Business: The announcement and pendency of the transaction could have an adverse effect on the Company's businesses, financial conditions, results of operations or business prospects and on its stock price. In addition, the arrangement agreement does not permit Nicholas Financial-Canada to make any distributions to its shareholders without the written consent of Prospect.

Opinion of Financial Advisor: Certain financial projections considered by Nicholas Financial-Canada, Janney and Prospect may not be realized, which may adversely affect the market price of Prospect common stock following the consummation of the arrangement.

Business Development Company: Prospect is a business development company regulated under the 1940 Act and is subject to substantially different risks than the Company.

Completion of the Proposed Arrangement

It is expected that the proposed arrangement will be completed shortly after Nicholas Financial-Canada's shareholders approve the Arrangement Resolution at the special meeting, assuming all regulatory approvals and other required matters are completed at such time. If approved by Nicholas Financial-Canada's shareholders, Prospect and Nicholas Financial-Canada will work to complete the proposed arrangement early in the second quarter of 2014. The arrangement agreement currently permits either party to terminate the arrangement agreement if the arrangement is not completed on or before June 12, 2014.

Recommendation of the Board of Directors of Nicholas Financial-Canada

Nicholas Financial-Canada's board of directors, including its independent directors, who constitute a majority of the board of directors, believes that the proposed arrangement is advisable and in the best interest of Nicholas Financial-Canada's shareholders and unanimously recommends that shareholders vote "FOR" approval of the Arrangement Resolution.

Opinion of Nicholas Financial-Canada's Financial Advisor

Nicholas Financial-Canada's financial advisor, Janney, rendered its oral opinion, subsequently confirmed in writing, that as of December 17, 2013, and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken, and other matters considered by Janney in preparing its opinion, the consideration to be received by the holders of Nicholas Financial-Canada's common stock, as set forth in the arrangement agreement was fair, from a financial point of view, to such holders.

The full text of the written opinion of Janney, dated as of December 17, 2013, is attached to this proxy circular/prospectus as Annex H. The opinion sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken, and other matters considered by Janney in preparing its opinion. However, neither Janney's written opinion nor the summary of its opinion and the related analyses set forth in this proxy circular/prospectus are intended to be, and they do not constitute, a recommendation as to or otherwise address how any holder of Nicholas Financial-Canada's Common Shares should vote or act in respect of the Arrangement Resolution or any related matter. Nicholas Financial-Canada encourages you to read carefully the entire opinion.

Table of Contents

The opinion does not in any manner address the price at which Prospect common stock will trade at any time following consummation of the arrangement. Janney provided its opinion for the information and assistance of the Nicholas Financial-Canada's board of directors in connection with the directors' consideration of the arrangement and addresses only the fairness, from a financial point of view, of the transaction consideration pursuant to the arrangement agreement for holders of Nicholas Financial-Canada's Common Shares as of the date of the opinion. It does not address any other aspect of the arrangement. The summary of Janney's opinion set forth in this proxy circular/prospectus is qualified in its entirety by reference to the full text of its opinion.

Janney's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, December 17, 2013. Events occurring after December 17, 2013 may affect the opinion and the assumptions used in preparing it, and Janney did not assume any obligation to update, revise or reaffirm the opinion.

Nicholas Financial-Canada agreed to pay Janney a fee based upon the closing of an arrangement or sale. The engagement agreement provided that, if Nicholas Financial-Canada requested and Janney agreed, that Janney would provide a fairness opinion in regard to the transaction that would be credited against any fees due under the engagement agreement. Nicholas Financial-Canada has also agreed to reimburse Janney for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention and to indemnify Janney for certain liabilities arising out of its engagement.

Interests of Nicholas Financial-Canada's Management in the Proposed Arrangement

In considering the recommendation of Nicholas Financial-Canada's board of directors to approve the Arrangement Resolution, you should be aware that certain of Nicholas Financial-Canada's directors and executive officers have interests in the transaction that are different from, or are in addition to, the interests of Nicholas Financial-Canada's shareholders and optionholders generally. Nicholas Financial-Canada's board of directors was aware of these interests and considered them along with other matters when they determined to recommend the arrangement.

The Company's two executive officers, Messrs. Vosotas and Finkenbrink, have entered into agreements with the Prospect Parties that will supersede their prior employment agreements upon consummation of the arrangement and which, among other things, will cause Mr. Vosotas and Mr. Finkenbrink not to receive any "change of control" payments upon the consummation of the arrangement. Mr. Vosotas entered into a consulting agreement pursuant to which he has agreed to make himself reasonably available for up to twenty hours per month to consult with Nicholas Financial and US New Opco regarding matters relating to the Company's business. During the term of the consulting agreement, Mr. Vosotas will be paid twelve monthly installments of $10,000. Mr. Finkenbrink has entered into an employment agreement pursuant to which he will serve as the Chief Executive Officer of Amalco and US New Opco. The employment agreement has a five-year term commencing upon the effective time of the arrangement, and provides for a base salary of $325,000 per annum. For more information regarding these arrangement, please see "Description of The Arrangement Interests of Nicholas Financial-Canada's Directors and Executive Officers in the Arrangement."

At Prospect's request, Mr. Vosotas has agreed to loan $1,000,000 to Nicholas Financial and US New Opco at the effective time of the arrangement, as evidenced by a subordinated unsecured promissory note. Interest on the principal amount will accrue quarterly at a rate per annum equal to the sum of (i) the LIBOR Rate (as defined below) and (ii) a spread of 6.00%. The principal amount of the note, together with accrued and unpaid interest on such amount, will be due and payable on the third anniversary of the effective time of the arrangement. For more information regarding these arrangements, please see "Description of The Arrangement Interests of Nicholas Financial-Canada's Directors and Executive Officers in the Arrangement."

Table of Contents

Optionholders will receive cash for their options. The only persons that hold options are Nicholas Financial-Canada's directors and executive officers. For more information regarding this term of the arrangement, please see "Description of The Arrangement Interests of Nicholas Financial-Canada's Directors and Executive Officers in the Arrangement."

United States Federal Income Tax Consequences of the Arrangement

See "Certain United States Federal Income Tax Considerations" for important information regarding the United States federal income tax consequences relating to the arrangement.

Dividends and Other Distributions

Pursuant to the arrangement agreement, Nicholas Financial-Canada has agreed, prior to completion or termination of the transaction, not to declare, set aside, pay or make any dividend or other distribution (whether in cash, stock or other property) with respect to any of its Common Shares.

Dissent Rights

Shareholders and optionholders are able to exercise dissent rights. In order to exercise such rights, a shareholder or optionholder must send a written objection to the Arrangement Resolution to Nicholas Financial-Canada and such written objection must be received by Nicholas Financial-Canada not later than 5:00 pm (Vancouver time) on the last business day preceding the date of the special meeting. Shareholders and optionholders that have validly exercised their dissent rights will be paid in cash the fair value by the Purchaser for their shares or options, as applicable.

Vote Required to Approve the Arrangement Resolution

The Arrangement Resolution must be approved by at least three-quarters (75%) of the votes cast by Nicholas Financial-Canada shareholders, as well as at least three-quarters (75%) of the votes cast by Nicholas Financial-Canada shareholders and optionholders (voting as a group). Holders may vote either in person or by proxy at the special meeting and will be entitled to one vote for each share held and one vote for each share the holder has an option to acquire. Nicholas Financial-Canada shareholders and optionholders who abstain, or who fail to return their proxies and do not otherwise vote will not have an effect on the outcome of the vote. A quorum for the special meeting of the Company is at least two shareholders or proxyholders representing two shareholders, or one shareholder and a proxyholder representing another shareholder, holding at least $33^1/_3$% of the total issued and outstanding shares of the Company on the record date for the special meeting.

Voting Power of Nicholas Financial-Canada's Management

At the close of business on the record date, Nicholas Financial-Canada's executive officers and directors owned and were entitled to vote [ ] Common Shares and [ ] options, representing [ ]% of the aggregate number of outstanding Common Shares and [ ]% of the combined number of Common Shares and options of Nicholas Financial-Canada on that date. None of Nicholas Financial-Canada's executive officers or directors has entered into any voting agreement relating to the proposed arrangement; however, each of Nicholas Financial-Canada executive officers and directors has indicated that he intends to vote his Common Shares and options, if any, in favor of the approval of the Arrangement Resolution.

Conditions to the Arrangement

There are certain obligations of Nicholas Financial-Canada and the Prospect Parties, both collectively and individually, to complete the proposed arrangement, which are subject to the

Table of Contents

satisfaction or, where permissible, waiver of certain conditions. Certain of these conditions applicable to Nicholas Financial-Canada and the Prospect Parties include:

- the Interim Order having been granted in form and substance satisfactory to Nicholas Financial-Canada and the Prospect Parties;
- approval of the Arrangement Resolution by Nicholas Financial-Canada's shareholders having been obtained in accordance with the provisions of the Interim Order;
- the Final Order having been granted in form and substance reasonably satisfactory to Prospect and Nicholas Financial-Canada; and
- the registration statement of Prospect of which this proxy circular/prospectus forms a part thereof will have become effective under the Securities Act.

Certain of these conditions applicable to Nicholas Financial-Canada include:

- the representations and warranties of the Prospect Parties contained in the arrangement agreement being true and correct in all respects subject to certain qualifications;
- each of the Prospect Parties having performed in all material respects all obligations and complied in all material respects with all covenants required by the arrangement agreement; and
- since the date of the arrangement agreement, except as contemplated by the arrangement agreement, there having not occurred a material adverse change to any of the Prospect Parties.

Certain of these conditions applicable to the Prospect Parties include:

- the representations and warranties of the Nicholas Financial-Canada contained in the arrangement agreement being true and correct in all respects subject to certain qualifications;
- Nicholas Financial-Canada having performed in all material respects all obligations and complied in all material respects with all covenants required by the arrangement agreement;
- since the date of the arrangement agreement, except as contemplated by the arrangement agreement, there has not occurred a material adverse change to Nicholas Financial-Canada; and
- no more than 10% of Nicholas Financial-Canada's common stock outstanding will have validly exercised dissenting rights.

Please see "Description of the Arrangement Agreement Conditions to the Arrangement" for a full description of the conditions to the arrangement.

Termination of the Arrangement Agreement

The arrangement agreement may be terminated at any time before completion of the arrangement, whether before or after approval of the Arrangement Resolution by Nicholas Financial-Canada shareholders, in a number of ways, including, but not limited to:

- by mutual written consent of Nicholas Financial-Canada and the Prospect Parties;

- by either Nicholas Financial-Canada or Prospect if (1) the arrangement is not completed prior to the termination deadline, except (i) the termination deadline will be automatically extended for a period not to exceed 45 days to the extent necessary to satisfy certain conditions and (ii) that the right to terminate will not be available to any Party that has breached in any material respect its obligations under the arrangement agreement or caused the failure of the arrangement to be consummated on or before such termination deadline; or (2) shareholders do not approve the Arrangement Resolution at the special meeting;

Table of Contents

by Nicholas Financial-Canada or Prospect, as the case may be, if (i) the other Party is in material breach or failed to perform in any material respect its representations, warranties, covenants or other agreements contained in the arrangement agreement, (ii) such breach or failure to perform entitles the other Party to not consummate the arrangement, and (iii) such breach or failure to perform is not curable;

by Nicholas Financial-Canada or Prospect, as the case may be, in certain events such as the Nicholas Financial-Canada's board of directors withdrawing or modifying in a manner adverse to the Prospect Parties its recommendation to approve the Arrangement Resolution or entering into a superior proposal.

Please see "Description of the Arrangement Agreement Termination of the Arrangement Agreement" for a full description of the termination provisions, including termination fees in certain situations, under the arrangement agreement.

Comparison of Shareholder Rights

The rights of Nicholas Financial-Canada's shareholders are currently governed by British Columbia law and Nicholas Financial-Canada's Articles. When the proposed arrangement is completed, Nicholas Financial-Canada's shareholders will become stockholders of Prospect, a Maryland corporation, and their rights will be governed by Maryland law and Prospect's charter and bylaws. The rights of Nicholas Financial-Canada's shareholders and the rights of Prospect stockholders differ in many respects. See "Comparison of Shareholder Rights" for a discussion of the material differences between the rights of Nicholas Financial-Canada shareholders and the rights of Prospect stockholders.

Post-Arrangement Recapitalization

Upon consummation of the arrangement, Prospect intends to refinance the Company using proceeds from a newly committed $250 million revolving credit facility from bank lenders and an operating company term loan that Prospect will provide. The aggregate net proceeds from this recapitalization will be used to repay the existing debt of the Company and return a portion of capital issued by Prospect to complete the transaction on the closing date. After receipt of the recapitalization cash distribution, Prospect will have a net investment in the transaction of approximately $136 million. Prospect's post-arrangement recapitalization $136 million investment in the Company is expected to consist of $122 million of operating and holding company term loans and $14 million of a holding company equity investment. The interest payable on the term loans to USCo and Amalco will be payable to Prospect. Such interest payments will constitute investment income and contribute to Prospect's net investment income.

Litigation

Jason Simpson v. Nicholas Financial, Inc., et al., Case No. 13-011726-CI (Circuit Court, Pinellas County, Florida), filed December 24, 2013; *Gabriella Rago v. Nicholas Financial, Inc., et al.*, Case No. 8:13-cv-03261-VMC-TGW (U.S. District Court, Tampa, Florida), filed December 30, 2013; *Matthew John Leonard v. Nicholas Financial, Inc., et al.*, Case No. 13-011811-CI (Circuit Court, Pinellas County, Florida), filed December 31, 2013; *Michelangelo Lombardo v. Nicholas Financial, Inc., et al.*, Case No. 14-000095-CI (Circuit Court, Pinellas County, Florida), filed January 3, 2014; *Edward Opton v. Stephen Bragin, et al.*, Case No. 14-000139-CI (Circuit Court, Pinellas County, Florida), filed January 6, 2014 and *Marvin Biver v. Nicholas Financial, Inc. et al.*, Case No. 8:14-cv-00250-EAK-MAP (U.S. District Court, Tampa, Florida), filed February 3, 2014. The six pending, substantially similar lawsuits were filed in connection with the arrangement contemplated by the arrangement agreement. Each plaintiff purports to represent a class of all Nicholas Financial-Canada shareholders other than the defendants and any person or entity related to or affiliated with any defendant. Five of the lawsuits

Table of Contents

name as defendants Nicholas Financial-Canada, Nicholas Financial-Canada's directors, Prospect, the Purchaser, USCo and US New Opco. The sixth lawsuit names those same parties as defendants, with the exception of the Purchaser and US New Opco. Each plaintiff alleges that the consideration to be paid for Nicholas Financial-Canada's shares is inadequate and/or that certain terms of the arrangement agreement are contrary to the interests of Nicholas Financial-Canada's public shareholders. The plaintiff in the *Biver* lawsuit makes such allegations only in the context of asserting claims against Nicholas Financial-Canada's directors and the Prospect Parties under Sections 14(a) and/or 20(a) of the Securities Exchange Act of 1934, predicated on alleged misrepresentations or omissions in the Registration Statement filed by Prospect on January 13, 2014. Each plaintiff, except for the plaintiff in the *Biver* lawsuit, asserts a breach of fiduciary duty claim against Nicholas Financial-Canada's directors, and an aiding and abetting claim against Nicholas Financial-Canada and/or certain of the Prospect Parties. The plaintiff in the *Rago* lawsuit also alleges claims against all defendants under Sections 14(a) and/or 20(a) of the Securities Exchange Act of 1934. Each plaintiff seeks declaratory relief, injunctive relief, other equitable relief and/or damages with respect to the proposed transaction. Each plaintiff, except for the plaintiff in the *Biver* lawsuit, also seeks an award of attorneys' fees. The Prospect Parties, Nicholas Financial-Canada and Nicholas Financial-Canada's directors do not believe that there is any merit to any of the pending actions, and they intend to defend vigorously against such actions.

Table of Contents

COMPARATIVE FEES AND EXPENSE RATIOS

The purpose of the tables in this section is to assist you in understanding the various costs and expenses that a stockholder will bear directly or indirectly by investing in Prospect's common stock and Prospect's costs and expenses that are expected to be incurred in the first year following the arrangement.

Prospect's Expenses

The table below illustrates the change in operating expenses expected as a result of the arrangement. The table sets forth (i) the annualized fees, expenses, and interest payments on borrowed funds of Prospect for the six months ended December 31, 2013 and (ii) the pro forma annualized fees, expenses and interest payments on borrowed funds of Prospect for the six months ended December 31, 2013 assuming consummation of the arrangement as of July 1, 2013. Upon consummation of the arrangement, the fees and expenses incurred by Prospect and Nicholas Financial-Canada in connection with the arrangement will be borne by USCo, which is a portfolio company of Prospect.

	Actual Prospect	**Pro Forma Combined Prospect**
Stockholder transaction expenses		
Sales load (as a percentage of offering price)	None(1)	None(1)
Dividend reinvestment plan expenses	None(2)	None(2)

	Actual Prospect	**Pro Forma Combined Prospect**
Annual expenses (as a percentage of net assets attributable to common stock):		
Management fees(3)	3.73%	3.63%
Incentive fees(4)	2.70%	2.70%
Total advisory fees	6.43%	6.33%
Interest expense(5)	4.04%	3.81%
Acquired Fund Fees and Expenses(6)	0.01%	0.01%
Other expenses(7)	1.31%	1.24%
Total annual expenses(8)	11.79%	11.39%

---

(1) Purchases of shares of common stock of Prospect on the secondary market are not subject to sales charges but may be subject to brokerage commissions or other charges. The table does not include any sales load (underwriting discount or commission) that stockholders may have paid in connection with their purchase of shares of Prospect's common stock.

(2) The expenses of the dividend reinvestment plan are included in "other expenses."

(3) Prospect's base management fee is 2% of its gross assets (which include any amount borrowed, i.e., total assets without deduction for any liabilities, including any borrowed amounts for non-investment purposes, for which purpose Prospect has not borrowed and has no intention of borrowing). Although Prospect has no intent to borrow the entire amount available under its line of credit, assuming that it borrowed $2.6 billion, the 2% management fee of gross assets equals approximately 3.73% of net assets (actual) and 3.63% of net assets (pro forma). Based on Prospect's borrowings as of February 21, 2014 of $1.9 billion, the 2% management fee of gross assets equals approximately 3.30% of net assets (actual) and 3.22% of net assets (pro forma). See

19

Table of Contents

"Business of Prospect Management Services Investment Advisory Agreement" and footnote 4 below.

(4) Based on the incentive fee paid during Prospect's six months ended December 31, 2013, all of which consisted of an income incentive fee. The capital gain incentive fee is paid without regard to pre-incentive fee income. For a more detailed discussion of the calculation of those incentive fees, see "Business of Prospect Management Services Investment Advisory Agreement" in this proxy circular/prospectus.

(5) As of February 21, 2014, Prospect has $1.9 billion outstanding of its Senior Notes (as defined below) in various maturities, ranging from December 15, 2015 to December 15, 2043, and interest rates, ranging from 4.0% to 7.0%, some of which are convertible into shares of Prospect common stock at various conversion rates. Please see "Business of Prospect General" and "Risks Related to Prospect Risks Relating to Prospect's Business" below for more detail on the Senior Notes.

(6) Prospect's stockholders indirectly bear the expenses of underlying investment companies in which Prospect invests. This amount includes the fees and expenses of investment companies in which Prospect is invested in as of December 31, 2013. When applicable, fees and expenses are based on historic fees and expenses for the investment companies and for those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' prospectus or other similar communication without giving effect to any performance. Future fees and expenses for certain investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of Prospect's average net assets used in calculating this percentage was based on net assets of approximately $3.2 billion as of December 31, 2013.

(7) "Other expenses" are based on estimated amounts for the current fiscal year. The amount shown above represents annualized expenses during Prospect's six months ended December 31, 2013 representing all of Prospect's estimated recurring operating expenses (except fees and expenses reported in other items of this table) that are deducted from its operating income and reflected as expenses in Prospect's Statement of Operations. The estimate of Prospect's overhead expenses, including payments under an administration agreement with Prospect Administration, or the "Administration Agreement," based on Prospect's projected allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations under the Administration Agreement. "Other expenses" does not include non-recurring expenses. See "Business of Prospect Management Services Administration Agreement."

(8) Prospect expects to incur significant transaction costs, which it currently estimates to be approximately $12 million, including the Company's transaction costs up to the consummation of the arrangement, in connection with the arrangement. The substantial majority of these costs will be non-recurring expenses related to the arrangement, including professional fees and other non-recurring expenses, which will be borne by USCo, the portfolio company, and capitalized into Prospect's cost basis for USCo.

Example

The following table demonstrates the projected dollar amount of cumulative expenses Prospect would pay out of net assets and that you would indirectly bear over various periods with respect to a hypothetical investment in Prospect's common stock before and after the consummation of the arrangement. In calculating the following expense amounts, Prospect has assumed it would have borrowed $1.9 billion, that its annual operating expenses would remain at the levels set forth in the

Table of Contents

table above and that Prospect would pay the costs shown in the table above. You would pay the following expenses on a $1,000 investment, assuming a 5% annual return:

	1 Year	3 Years	5 Years	10 Years
Prospect	90.88	261.65	418.74	758.60
Pro Forma Combined Prospect(1)	86.84	251.04	403.36	737.70

(1) The pro forma combined row shown assumes the arrangement is completed.

While the example assumes, as required by the SEC, a 5% annual return, Prospect's performance will vary and may result in a return greater or less than 5%. The income incentive fee under Prospect's Investment Advisory Agreement with Prospect Capital Management assuming a 5% annual return would be zero and is not included in the example. If Prospect achieves sufficient returns on its investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, its distributions to its common stockholders and its expenses would likely be higher. The income incentive fee will be calculated and payable quarterly in arrears based upon Prospect's pre-incentive fee net investment income for the immediately preceding quarter. Prospect's pre-incentive fee net investment income, expressed as a rate of return on the value of Prospect's net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized). As Prospect cannot predict whether it will meet the necessary performance target, Prospect has assumed that no income incentive fee will be paid for purposes of this chart. Because the example above assumes a 5.0% annual return, as required by the SEC, no subordinated incentive fee would be payable in the following twelve months. In addition, while the example assumes reinvestment of all dividends and other distributions at net asset value, or "NAV," participants in Prospect's dividend reinvestment plan will receive a number of shares of its common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of its common stock at the close of trading on the valuation date for the distribution. See "Prospect's Dividend Reinvestment Plan" for additional information regarding its dividend reinvestment plan.

This example and the expenses in the table above should not be considered a representation of Prospect future expenses. Actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

Table of Contents

SELECTED FINANCIAL DATA OF PROSPECT

You should read the condensed consolidated financial information of Prospect below with the consolidated financial statements and notes thereto included in this proxy circular/prospectus. Financial information below for the years ended June 30, 2013, 2012, 2011, 2010 and 2009 has been derived from the financial statements that were audited by Prospect's independent registered public accounting firm. The selected consolidated financial data at and for the three and six months ended December 31, 2013 and 2012 has been derived from unaudited financial data. Interim results for the three and six months ended December 31, 2013 are not necessarily indicative of the results that may be expected for the year ending June 30, 2014. Certain reclassifications have been made to the prior period financial information to conform to the current period presentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Prospect" for more information.

	For the Three Months Ended December 31,		For the Six Months Ended December 31,		For the Year Ended June 30,				
	2013	2012	2013	2012	2013	2012	2011	2010	2009
	(in thousands except data relating to shares, per share and number of portfolio companies)								
Performance Data:									
Interest income	$ 147,103	$ 116,866	$ 285,524	$ 195,176	$ 435,455	$ 219,536	$ 134,454	$ 86,518	$ 62,926
Dividend income	8,892	31,955	15,981	68,163	82,705	64,881	15,092	15,366	22,793
Other income	22,095	17,214	37,619	26,332	58,176	36,493	19,930	12,675	14,762
Total investment income	178,090	166,035	339,124	289,671	576,336	320,910	169,476	114,559	100,481
Interest and credit facility expenses	(29,256)	(16,414)	(56,663)	(29,925)	(76,341)	(38,534)	(17,598)	(8,382)	(6,161)
Investment advisory expense	(48,129)	(41,110)	(91,758)	(72,845)	(151,031)	(82,507)	(46,051)	(30,727)	(26,705)
Other expenses	(8,490)	(9,295)	(16,151)	(13,658)	(24,040)	(13,185)	(11,606)	(8,260)	(8,452)
Total expenses	(85,875)	(66,819)	(164,572)	(116,428)	(251,412)	(134,226)	(75,255)	(47,369)	(41,318)
Net investment income	92,215	99,216	174,552	173,243	324,924	186,684	94,221	67,190	59,163
Realized and unrealized (losses) gains	(6,853)	(52,727)	(9,290)	(79,505)	(104,068)	4,220	24,017	(47,565)	(24,059)
Net increase in net assets from operations	$ 85,362	$ 46,489	$ 165,262	$ 93,738	$ 220,856	$ 190,904	$ 118,238	$ 19,625	$ 35,104
Per Share Data:									
Net increase in net assets from operations(1)	$ 0.30	$ 0.24	$ 0.61	$ 0.52	$ 1.07	$ 1.67	$ 1.38	$ 0.33	$ 1.11
Distributions declared per	$ (0.33)	$ (0.31)	$ (0.66)	$ (0.62)	$ (1.28)	$ (1.22)	$ (1.21)	$ (1.33)	$ (1.62)

share									
Average weighted shares outstanding for the period	287,016,433	195,585,502	272,550,293	179,039,198	207,069,971	114,394,554	85,978,757	59,429,222	31,559,905
Assets and Liabilities Data:									
Investments	$ 4,886,020	$ 3,038,808	$ 4,886,020	$ 3,038,808	$ 4,172,852	$ 2,094,221	$ 1,463,010	$ 748,483	$ 547,168
Other assets	308,002	490,913	308,002	490,913	275,365	161,033	86,307	84,212	119,857
Total assets	5,194,022	3,529,721	5,194,022	3,529,721	4,448,217	2,255,254	1,549,317	832,695	667,025
Amount drawn on credit facility					124,000	96,000	84,200	100,300	124,800
Senior convertible notes	847,500	847,500	847,500	847,500	847,500	447,500	322,500		
Senior unsecured notes	347,814	100,000	347,814	100,000	347,725	100,000			
InterNotes®	600,907	164,993	600,907	164,993	363,777	20,638			
Amount owed to related parties	49,849	2,392	49,849	2,392	6,690	8,571	7,918	9,300	6,713
Other liabilities	116,853	88,201	116,853	88,201	102,031	70,571	20,342	11,671	2,916
Total liabilities	1,962,923	1,203,086	1,962,923	1,203,086	1,791,723	743,280	434,960	121,271	134,429
Net assets	$ 3,231,099	$ 2,326,635	$ 3,231,099	$ 2,326,635	$ 2,656,494	$ 1,511,974	$ 1,114,357	$ 711,424	$ 532,596
Investment Activity Data:									
No. of portfolio companies at period end	130	106	130	106	124	85	72	58	30
Acquisitions	$ 607,657	$ 772,125	$ 1,164,500	$ 1,520,062	$ 3,103,217	$ 1,120,659	$ 953,337	$ 364,788(2)	$ 98,305
Sales, repayments, and other disposals	$ 255,238	$ 349,269	$ 419,405	$ 507,392	$ 931,534	$ 500,952	$ 285,562	$ 136,221	$ 27,007
Total return based on market value(3)	3.41%	(2.99)%	10.12%	0.71%	6.2%	27.2%	17.2%	17.7%	(18.6)%
Total return based on net asset value(3)	3.04%	2.14%	6.09%	5.33%	10.9%	18.0%	12.5%	(6.8)%	(0.6)%
Weighted average yield at end of period(4)	12.9%	14.7%	12.9%	14.7%	13.6%	13.9%	12.8%	16.2%	14.6%

(1) Per share data is based on average weighted shares for the period.

(2) Includes $207,126 of acquired portfolio investments from Patriot Capital Funding, Inc.

(3)

Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each period and assumes that dividends are reinvested in accordance with Prospect's dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each period and assumes that dividends are reinvested in accordance with Prospect's dividend reinvestment plan.

(4) Excludes equity investments and non-performing loans.

Table of Contents

SELECTED FINANCIAL DATA OF THE COMPANY

You should read the condensed consolidated financial information below with the consolidated financial statements and notes thereto included in this proxy circular/prospectus. The following tables present selected consolidated financial data of the Company as of and for the fiscal years ended March 31, 2013, 2012, 2011, 2010 and 2009, and the nine-month periods ended December 31, 2013 and 2012. The selected consolidated financial data have been derived from the Company's consolidated financial statements. All historical share and per share amounts have been restated for all periods presented to reflect a 10% stock dividend paid on December 7, 2009 to shareholders of record as of the close of business on November 20, 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operation of the Company" for more information.

	Nine months ended December 31,		Fiscal Year ended March 31,				
	2013	2012	2013	2012	2011	2010	2009
Statement of Operations Data							
Interest income on finance receivables*	$ 62,168,567	$ 61,708,812	$ 82,072,643	$ 80,470,980	$ 73,661,457	$ 65,571,587	$ 62,137,387
Sales	17,322	29,196	37,803	44,070	53,622	68,117	69,933
	62,185,889	61,738,008	82,110,446	80,515,050	73,715,079	65,639,704	62,207,320
Interest expense	4,288,979	3,717,386	5,120,827	4,891,854	5,599,951	5,169,736	5,384,532
Provision for credit losses*	10,797,930	9,849,798	13,391,875	12,367,593	15,611,544	20,567,707	25,571,453
Salaries and employee benefits	14,542,906	13,539,636	18,325,945	17,582,967	16,430,763	14,380,695	13,349,523
Change in fair value of interest rate swaps	(681,989)	645,772	504,852		(495,136)	(1,034,869)	1,530,005
Other expenses	10,109,767	9,332,736	12,280,792	9,524,361	9,280,923	8,984,047	8,900,260
	39,057,593	37,085,328	49,624,291	44,366,775	46,428,045	48,067,316	54,735,773
Operating income before income taxes*	23,128,296	24,652,680	32,486,155	36,148,275	27,287,034	17,572,388	7,471,547
Income tax expense*	9,284,483	9,499,030	12,545,209	13,926,516	10,518,740	6,755,850	2,803,627
Net income*	$ 13,843,813	$ 15,153,650	$ 19,940,946	$ 22,221,759	$ 16,768,294	$ 10,816,538	$ 4,667,920
Earnings per share basic:	$ 1.15	$ 1.27	$ 1.66	$ 1.89	$ 1.44	$ 0.94	$ 0.41
Weighted average shares outstanding	12,088,835	11,961,886	11,977,174	11,747,160	11,607,341	11,470,318	11,273,811
Earnings per share diluted:	$ 1.13	$ 1.24	$ 1.63	$ 1.85	$ 1.41	$ 0.93	$ 0.41
Weighted average shares outstanding	12,285,971	12,191,781	12,218,416	12,033,131	11,893,518	11,689,123	11,440,313

Table of Contents

	As of and for the nine months ended December 31,		As of and for the Fiscal Year ended March 31,				
	2013	2012	2013	2012	2011	2010	2009
Balance Sheet Data							
Total assets	$ 276,086,152	$ 262,807,543	$ 263,835,468	$ 256,560,144	$ 242,975,768	$ 213,505,606	$ 197,199,732
Finance receivables, net	261,254,324	245,217,238	249,825,801	241,253,430	229,082,589	201,418,259	185,750,682
Line of credit	127,000,000	130,500,000	125,500,000	112,000,000	118,000,000	107,274,971	102,030,195
Share-holders' equity*	138,814,925	123,282,109	126,965,096	135,263,161	114,546,111	96,984,906	84,435,270
Operating Data							
Return on average assets	6.92%	7.74%	7.66%	8.90%	7.35%	5.27%	2.41%
Return on average equity	14.06%	15.56%	15.21%	17.79%	15.85%	11.92%	5.73%
Gross portfolio yield(1)*	28.67%	29.26%	29.22%	29.48%	29.35%	29.33%	29.96%
Pre-tax yield(1)*	10.42%	12.07%	11.82%	13.31%	10.75%	7.47%	4.46%
Total delinquencies over 30 days	7.15%	6.23%	3.73%	2.99%	2.19%	3.16%	4.20%
Write-off to liquidation(1)	7.24%	6.82%	6.81%	5.66%	6.18%	9.87%	12.39%
Net charge-off percentage(1)	6.20%	5.74%	5.88%	4.59%	4.65%	7.37%	9.93%
Automobile Finance Data & Direct Loan Origination							
Contracts purchased/ direct loans originated	$ 128,060,684	$ 114,531,520	$ 160,077,713	$ 152,315,679	$ 151,874,846	$ 125,315,736	$ 117,653,858
Average dealer discount*	8.47%	8.59%	8.54%	9.23%	9.55%	9.91%	9.84%
Weighted average contractual rate(1)	22.96%	23.37%	23.43%	23.93%	23.66%	23.62%	24.17%
Number of branch locations	65	63	64	60	56	52	48

(1) See the definitions set forth in the notes to the Portfolio Summary table under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation of the Company Portfolio Summary."

* The amounts for 2009 through 2012 and the amount for the nine months ended December 31, 2012 have been revised as discussed in Note 2 to the Company's consolidated financial statements.

Table of Contents

RISKS RELATED TO THE ARRANGEMENT

Because the number of shares of Prospect common stock into which Company Common Shares are exchangeable will be determined only at closing, Company shareholders cannot be sure prior to the effective time of the precise value of the transaction consideration they will receive.

Under the terms of the arrangement agreement, the number of shares of Prospect common stock (or fraction thereof) into which Nicholas Financial-Canada common stock are exchangeable is determined by dividing $16.00 by the VWAP of Prospect common stock for the 20 trading days prior to and ending on the trading day immediately preceding the effective time of the arrangement. In light of this uncertainty, holders of Nicholas Financial-Canada Common Shares will not be able to calculate the precise value of the consideration that they will receive upon completion of the arrangement until the effective time, and developments reducing the price of Prospect common stock could reduce the value of the consideration holders of Nicholas Financial-Canada Common Shares will receive.

Company shareholders will experience a reduction in percentage ownership and voting power with respect to their shares as a result of the arrangement.

Company shareholders will experience a substantial reduction in their respective percentage ownership interests and effective voting power relative to their respective percentage ownership interests in the Company prior to the arrangement. If the arrangement is consummated, based on the VWAP for the 20 days preceding the record date, which was $[   ], and the number of shares of Prospect common stock issued and outstanding as of such date, Company shareholders will own approximately [   ]% of Prospect's outstanding common stock. In addition, both prior to and after completion of the arrangement, Prospect may issue additional shares of common stock in public offerings, mergers and acquisitions or otherwise (including at prices below its then current net asset value), all of which would further reduce the percentage ownership of Prospect held by former Company shareholders. The issuance or sale by Prospect of shares of its common stock at a discount to net asset value also poses a risk of dilution to stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their then current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in Prospect's earnings and assets and their voting power than the increase Prospect experiences in its assets, potential earning power and voting interests from such issuance or sale. Shareholders may also experience a reduction in the market price of Prospect's common stock.

The arrangement agreement limits the Company's ability to pursue alternatives to the transaction.

The arrangement agreement contains provisions that make it more difficult for the Company to sell its business to a party other than Prospect. These provisions include a general prohibition on the Company taking certain actions that might lead to or otherwise facilitate an acquisition proposal (as defined in "Description of the Arrangement Agreement Covenants of Nicholas Financial-Canada Regarding Non-Solicitation") and the requirement that the Company pay Prospect a termination fee of $6.0 million in connection with the transaction if the arrangement agreement is terminated in specified circumstances. See "Description of the Arrangement Agreement Termination of the Arrangement Agreement."

